

line assumptions, an increase of about 7 percent. Most of this increase is attributable to the proposed space station, which the Administration is seeking to have in operation by the mid-1990s. Funding in the budget for the space station grows rapidly--from \$420 million in fiscal year 1987, to \$767 million in 1988, and to around \$2 billion annually beginning in fiscal year 1990. The CBO baseline assumes funding for the space station at the 1987 level, adjusted for inflation. The President's budget also contains decreased funding for space flight through fiscal year 1990, with increases thereafter. These levels assume the resumption of space shuttle launches beginning in 1988 and no new funding for orbiter construction. Construction of the Challenger replacement was fully funded in fiscal year 1987.

The President has also proposed a major increase in NSF funding relative to the CBO baseline, approximately doubling the fiscal year 1987 funding level by fiscal year 1992. NSF outlays over this period would be about 25 percent above baseline levels. Most of this increase is for research grants; with a large increase for science and engineering education activities as well.

Finally, the President is proposing funding increases of between \$100 million and \$200 million above baseline levels for the general science and research activities of the Department of Energy (DOE). Over the projection period, these increases would result in outlays about 18 percent above the baseline. Included in the request for fiscal year 1988 is \$35 million for the design of the superconducting super collider (SSC), a particle accelerator of unprecedented size and power. The total cost of the SSC is estimated at between \$5 billion and \$6 billion over an eight-year period. No construction funds are included in the President's budget request.

CBO Reestimates

CBO reestimates result primarily from differences in projected spending rates for shuttle orbiter construction and space transportation operations throughout the projection period.

FUNCTION 270: ENERGYMAJOR SPENDING CHANGES PROPOSED FOR BUDGET FUNCTION 270:
ENERGY (By fiscal year, outlays in billions of dollars)

Item	1988	1989	1990	1991	1992	Cumulative Five-Year Changes
CBO Baseline	5.4	5.3	5.5	5.5	5.6	
Proposed Changes						
Rural electrification	-1.2	-1.6	-1.9	-2.2	-2.5	-9.4
Energy R&D	-0.2	-0.4	-0.5	-0.6	-0.7	-2.4
Conservation	-0.1	-0.3	-0.3	-0.3	-0.3	-1.4
Strategic Petroleum						
Reserve	-0.2	-0.3	-0.3	-0.3	-0.3	-1.3
Nuclear waste disposal	-0.1	-0.2	-0.3	-0.2	-0.2	-0.9
Naval Petroleum						
Reserves <u>a/</u>	<u>b/</u>	0.5	0.5	0.5	0.5	2.0
Power marketing						
administrations <u>a/</u>	<u>b/</u>	-0.2	-0.1	0.3	0.9	0.9
Other	<u>-0.2</u>	<u>-0.3</u>	<u>b/</u>	<u>b/</u>	<u>b/</u>	<u>-0.5</u>
Total	-2.1	-2.7	-2.8	-2.9	-2.6	-13.1
President's 1988 Budget as Estimated by CBO	3.3	2.6	2.7	2.6	3.0	
President's 1988 Budget	3.3	2.9	3.2	2.9	3.1	
CBO Reestimates	<u>b/</u>	-0.3	-0.5	-0.3	-0.2	-1.3

a. The receipts from the proposed sale of the Naval Petroleum Reserves and the power marketing administrations are shown in function 950. Outlays in function 270 would increase, relative to the baseline, after the proposed asset sales, because these assets would no longer generate receipts for the government.

b. Less than \$50 million.

Proposed Policy Changes

The President is proposing substantial cuts in energy programs, which would reduce outlays by 39 percent below the baseline in 1988. Outlay savings would total \$13.1 billion over the 1988-1992 period, or almost one-half of projected baseline spending for the five years. These savings are net of losses in receipts that would result from the proposed sale of the power marketing administrations (PMAs) and the Naval Petroleum Reserves (NPR). Excluding the effects of these sales on this function, outlay savings would total about \$16.5 billion from 1988 through 1992.

Rural Electrification. By far the largest savings in this function would occur in activities of the Rural Electrification Administration (REA). The President would increase the interest rate on most of REA's direct loans from 5 percent to the Treasury's cost of borrowing plus one-eighth of a percent. The loan program would then be phased out by 1990. No commitments for new REA-guaranteed loans from the Federal Financing Bank would be made after 1987, and borrowers would be charged a fee to cover the cost of REA salaries and expenses. The President also plans to sell a portion of REA's direct loan portfolio, and to allow further prepayments of existing loans without assessment of penalties required under current law.

Eliminating loans from the rural electrification and telephone revolving fund, as proposed by the President, would lower outlays by approximately \$4.8 billion over the next five years. Proposed additional prepayments of existing loans and sales of direct loans would reduce outlays by \$4.3 billion through 1992. New fees and higher interest rates would save an additional \$0.4 billion over this period. Estimated savings for the President's REA proposals total about \$9.4 billion over the 1988-1992 period.

Energy Research and Development. Under the President's proposed budget, federal efforts in energy research and development for fossil, solar, and other energy technologies would be reduced by about \$2.4 billion, or 17 percent, below baseline levels over the 1988-1992 period. The Administration believes that the government's role in energy research and development should be limited to basic research and long-term or high-risk projects.

Conservation. Conservation spending in the budget is \$1.4 billion, or 67 percent, below baseline levels over five years. About \$0.9 billion of this reduction results from the proposed elimination of grants to states for energy conservation programs, while the remaining \$0.5 billion reduction applies to conservation research and development activities. The budget proposal asserts that states are expected to receive significant funds for

conservation as a result of the settlement of federal cases involving the alleged violation of oil price controls. In the past two years, nearly \$3 billion in oil price overcharges has been disbursed to the states. Additional funds may be distributed to the states as pending overcharge cases are resolved.

Strategic Petroleum Reserve. The President proposes to reduce the rate of fill for the Strategic Petroleum Reserve (SPR), from the current rate of 75,000 barrels per day to 35,000 barrels per day. The reserve currently contains about 515 million barrels. The Energy Policy and Conservation Act (Public Law 94-163), as amended, authorizes a reserve of up to 1 billion barrels, and establishes a minimum fill rate of 75,000 barrels a day until the reserve contains at least 750 million barrels. At the current fill rate, the reserve will contain approximately 670 million barrels at the end of 1992 and would reach 750 million barrels in 1995. By comparison, the President's proposal would result in a total reserve of about 600 million barrels at the end of 1992 and of 750 million barrels in 2004. The President also proposes small decreases from current policy for development of SPR facilities. Reducing the fill rate accounts for most of the five-year outlay savings, estimated at \$1.3 billion.

Nuclear Waste Disposal. The President's request for disposal of nuclear waste is \$0.5 billion a year, resulting in a savings of about \$0.9 billion over the five-year period relative to the CBO baseline. The baseline includes amounts that CBO estimates will be needed each year to comply with the Nuclear Waste Policy Act of 1982. This slowdown in developing a repository for nuclear waste reflects a lack of consensus on the future scope and direction of the program. The Administration has prepared a revised mission plan for the nuclear waste program, and plans to amend the 1988 budget request for additional funds if this plan is found to be acceptable.

Naval Petroleum Reserves and Power Marketing Administrations. Income from the sale of the five power marketing administrations and Naval Petroleum Reserves appears in budget function 950 and is estimated to total \$15.5 billion over the 1988-1992 period. These savings would be partially offset, however, by an increase in outlays in function 270, because these assets would no longer generate receipts for the government. In 1992, when all the proposed sales would be completed, the outlay increase would be \$1.4 billion relative to the baseline, and similar increases would occur in subsequent years. Over the five-year period, net outlays in this function would increase relative to the baseline by \$0.9 billion because of the sale of the PMAs, and by an additional \$2 billion as a result of the sale of the Naval Petroleum Reserves.

Other. The President proposes to sell approximately \$250 million in energy conservation loans made by the Tennessee Valley Authority (TVA). This sale would take place in 1989, yielding receipts of approximately \$160 million. Relative to the baseline, outlays would increase by about \$50 million per year for fiscal years 1990 through 1992 as a result of the loan sale.

Proposed cutbacks in uranium enrichment activities would reduce outlays by about \$0.2 billion by 1992. These spending reductions in uranium enrichment would enable the program to make partial repayments to the Treasury for past federal investments. Reduced spending in other regulatory and administrative programs would lower outlays by a total of \$0.4 billion over the next five years.

CBO Reestimates

CBO's estimates of net outlays for function 270 under the President's budget proposals are below the Administration's estimates by \$1.3 billion over the 1988-1992 period. Based on experience in recent years, CBO estimates reflect lower REA loan disbursements than assumed in the Administration's figures. These reestimates are partially offset by lower estimates of receipts and somewhat higher estimates of operating expenses for TVA and uranium enrichment.

Credit Programs

The President proposes to phase out REA's direct and guaranteed loan programs by 1990, and to increase the interest rate on any future direct loans. Under this policy change, REA's direct loans, which currently bear interest at 5 percent, would be reduced by a total of about \$4.5 billion over the next five years, relative to the CBO baseline. Eliminating Federal Financing Bank (FFB) loans guaranteed by the REA would reduce federal lending activity by a total of \$5.2 billion by 1992. The President proposes to replace FFB loans with 70 percent REA guarantees of private-sector loans, totaling \$6.1 billion over five years.

MAJOR SPENDING CHANGES PROPOSED FOR BUDGET FUNCTION 270:
ENERGY (By fiscal year, in billions of dollars)

Item	1988	1989	1990	1991	1992	Cumulative Five-Year Changes
Direct Loan Obligations						
CBO Baseline	2.1	2.3	2.4	2.4	2.6	
Proposed Changes						
REA direct loans	-0.6	-0.8	-1.0	-1.0	-1.1	-4.5
FFB loans for rural electrification	<u>-1.0</u>	<u>-1.0</u>	<u>-1.0</u>	<u>-1.1</u>	<u>-1.1</u>	<u>-5.2</u>
Total	-1.6	-1.8	-2.0	-2.1	-2.2	-9.7
President's 1988 Budget as Estimated by CBO	0.6	0.5	0.4	0.3	0.4	
Guaranteed Loan Commitments						
CBO Baseline	<u>a/</u>	<u>a/</u>	<u>a/</u>	<u>a/</u>	<u>a/</u>	
Proposed Changes (Rural Electrification)	1.0	1.3	1.6	1.6	1.6	7.1
President's 1988 Budget as Estimated by CBO	1.0	1.3	1.6	1.6	1.6	

a. Less than \$50 million.

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENTMAJOR SPENDING CHANGES PROPOSED FOR BUDGET FUNCTION 300:
NATURAL RESOURCES AND ENVIRONMENT

(By fiscal year, outlays in billions of dollars)

Item	1988	1989	1990	1991	1992	Cumulative Five-Year Changes
CBO Baseline	15.5	16.9	18.5	18.8	18.7	
Proposed Changes						
Water resources	-0.3	-0.1	-0.2	-0.5	-0.8	-1.9
Conservation and land management						
Forest Service	-0.3	-0.3	-0.4	-0.4	-0.5	-1.8
Other	-0.3	-0.2	-0.5	-0.5	-0.4	-1.8
Recreational resources	-0.3	-0.4	-0.5	-0.5	-0.6	-2.3
Pollution control and abatement						
Construction grants	a/	-0.1	-0.3	-0.4	-0.8	-1.7
Other	-0.2	-0.3	-0.5	-0.6	-0.6	-2.1
Other natural resources	<u>-0.2</u>	<u>-0.2</u>	<u>-0.3</u>	<u>-0.4</u>	<u>-0.4</u>	<u>-1.4</u>
Total	-1.4	-1.7	-2.6	-3.3	-4.0	-13.0
President's 1988 Budget as Estimated by CBO	14.1	15.3	15.9	15.5	14.8	
President's 1988 Budget	14.2	15.2	15.3	14.9	14.5	
CBO Reestimates	-0.2	0.1	0.5	0.6	0.3	1.3

a. Less than \$50 million.

Proposed Policy Changes

The President's budget proposes spending levels for natural resources and the environment that are below the CBO baseline in all years, with total

outlay savings of about \$13 billion over the 1988-1992 period. Outlay savings relative to the baseline in 1988 would be \$1.4 billion, resulting largely from appropriation requests that are 12 percent below the baseline level.

Water Resources. For 1988, the President is seeking an increase in budget authority of 2 percent above the 1987 budget authority for development of water resources, a funding level about 4 percent below the baseline. By proposing these funding levels, selling loan assets, and rescinding funds for watershed programs of the Soil Conservation Service (SCS), total requested spending for water resources would fall below baseline levels in all years, with total outlay savings of about \$1.9 billion over the 1988-1992 period.

The President proposes a 5 percent increase in outlays for the Army Corps of Engineers in 1988, with spending frozen at about 1988 levels through 1992. The budget includes funds to finance 13 new construction projects authorized in the recently enacted water resources bill (Public Law 99-662) and to continue work on over 100 other construction projects. The proposed Corps spending program would result in outlays of about \$45 million below baseline levels in 1988 and about \$750 million lower over the 1988-1992 period.

The President proposes to rescind \$96 million in 1987 budget authority and unobligated balances for SCS watershed protection activities and to reduce 1988 budget authority for these programs by 67 percent below the 1987 appropriation. These cuts would result in outlay savings of \$147 million from 1988 baseline levels. The budget also proposes to eliminate these programs by 1989, resulting in total savings of about \$1 billion over the 1988-1992 period.

The Administration is also proposing to sell all completed loans made by the Bureau of Reclamation to local irrigation districts, an action that would yield proceeds of approximately \$105 million in 1988.

Conservation and Land Management. Total 1988 outlays for conservation and land management activities in function 300 would increase by \$740 million above 1987 levels, primarily as a result of shifting the conservation reserve from the Commodity Credit Corporation (in function 350) to the Agricultural Conservation and Stabilization Service (ASCS). Excluding this functional shift, the budget would result in a \$650 million decrease in outlays for all other conservation and land management activities from 1987 to 1988. The President's 1988 appropriation request for discretionary programs, excluding the conservation reserve, is about \$600 million, or 18 percent, below the current 1987 appropriations, and \$800 million, or 22 percent, below the baseline level.

Under the President's budget, the conservation reserve would receive \$1.4 billion in 1988, about \$700 million more than in 1987. Since its creation in the Food Security Act of 1985, the reserve has been funded with CCC borrowing authority. Starting in 1988, the reserve would be funded through direct appropriations to the ASCS. The proposed funding level for this program is above baseline levels by about \$170 million in 1988 and by about \$800 million over the 1988-1992 period.

The President, however, proposes sharp reductions in funding for other conservation programs, including a rescission of \$185 million in 1987 budget authority and termination, by 1989, of all other soil conservation activities of the SCS and the ASCS, except for technical assistance to support the conservation reserve. Eliminating these programs would save about \$220 million in 1988 outlays relative to the CBO baseline. Savings over the 1988-1992 period would total \$1.3 billion.

The President also proposes to reduce land conservation funding for the Bureau of Indian Affairs by approximately 65 percent, resulting in savings from the baseline of \$95 million in 1988 and totaling \$0.6 billion over the 1988-1992 period.

The budget also contains a 6 percent decrease from 1987 to 1988 for existing Forest Service programs, with funding frozen at about the 1988 level thereafter. The proposed funding for the Forest Service would save \$255 million relative to the baseline in 1988 and \$1.8 billion over the 1988-1992 period. The decreases reflect reductions in construction activities, in certain recreation activities, and in forest research funds, as well as the fact that the budget includes no specific allowance for firefighting funds after 1987.

Recreational Resources. The President's budget reflects net funding cuts in 1988 budget authority for recreational programs of about 25 percent below the CBO baseline. The requested reductions, plus the effects of proposed rescissions and new recreation user fees, would result in outlay savings of over \$300 million in 1988. The budget would hold funding for most operating accounts essentially level over the next five years but would call for large cuts in spending for acquisition of recreational lands and construction of facilities. Land acquisition programs for the Forest Service, National Park Service (NPS), and the Fish and Wildlife Service would be cut by 89 percent below the baseline in 1988. Recreational construction by the Department of the Interior would face cuts of 67 percent below the baseline.

New recreation user fees to be collected by the Forest Service, the Army Corps of Engineers, and the NPS are also proposed and would result in

additional offsetting receipts of about \$74 million in fiscal year 1988 and about \$117 million per year after that. Outlay savings in recreational resources programs would total \$2.3 billion over the 1988-1992 period.

Pollution Control and Abatement. The appropriations requested by the Administration in 1988 for environmental programs would be about 15 percent below the CBO baseline. Proposed funding for the following four years falls below the baseline by an average of 21 percent. Resulting outlays, net of offsetting receipts, would be below baseline levels by about \$170 million in 1988 and by \$3.8 billion over the 1988-1992 period.

The largest savings would result from the Administration's proposal to phase out the Environmental Protection Agency's (EPA) construction grants program. This proposal would provide funding of \$7.7 billion in declining amounts each year between fiscal years 1988 and 1992, or about \$3 billion less than is authorized in the Water Quality Act of 1987 (Public Law 100-4), which was recently enacted over the President's veto. Outlay savings relative to the CBO baseline, which reflects the enacted authorization ceilings, would total about \$1.7 billion over the five-year period.

The President's proposed funding levels for Superfund would reduce outlays below baseline estimates by about \$850 million through 1992. The 1988 request would cut funding for EPA's abatement, control, and compliance programs by about 16 percent below the baseline and would freeze the funding level thereafter. Further, the Administration is seeking to rescind \$47.5 million of the 1987 appropriation to assist in removing asbestos from schools. Resulting outlay savings for abatement, control, and compliance activities would total about \$700 million through 1992.

Finally, the President seeks to impose user fees on the issuing of licenses and permits, and on other services provided by the EPA in its regulation of pollutants. Offsetting receipts would be increased by about \$45 million annually.

Other Natural Resources. The President proposes to decrease spending on other natural resources by \$1.4 billion relative to the CBO baseline from 1988 through 1992. The majority of these spending reductions come from the operations, research, and facilities of the National Oceanic and Atmospheric Administration (NOAA), which would be reduced by \$0.9 billion over the five years.

The proposed spending for NOAA operations, research, and facilities is 14 percent below the CBO baseline over the 1988-1992 period. The budget would eliminate sea grants and coastal zone grants by rescinding their

budget authority for 1987, and would reduce total authority for ocean, atmospheric, and fisheries programs by more than 40 percent in 1988 relative to the 1987 level. Spending on satellite programs and the National Weather Service would increase in 1988, but not enough to offset the reductions in other programs. The Administration's proposal would reduce spending by the Bureau of Mines to a level that is 25 percent below the baseline over the five-year period. The budget also includes plans to sell all assets related to the Bureau's helium operations.

CBO Reestimates

The major estimating differences are attributable to Superfund spending and receipts. CBO estimates that Superfund outlays occur more rapidly than under the Administration assumptions. Also, CBO's estimates of funds recovered from private parties for cleanup costs are below the President's by approximately \$600 million over the five-year budget period.

FUNCTION 350: AGRICULTUREMAJOR SPENDING CHANGES PROPOSED FOR BUDGET FUNCTION 350:
AGRICULTURE (By fiscal year, outlays in billions of dollars)

Item	1988	1989	1990	1991	1992	Cumulative Five-Year Changes
CBO Baseline	30.0	28.0	25.3	22.8	21.0	
Proposed Changes						
Commodity Credit Corporation	-4.6	-2.9	-4.1	-5.4	-7.2	-24.2
Agricultural Credit Insurance Fund	a/	-1.0	-1.0	-0.9	-0.8	-3.6
Federal Crop Insurance Extension Service	-0.2	-0.3	-0.5	-0.6	-0.8	-2.4
Other	-0.1	-0.1	-0.1	-0.1	-0.2	-0.6
	<u>-0.3</u>	<u>-0.3</u>	<u>-0.4</u>	<u>-0.5</u>	<u>-0.6</u>	<u>-2.1</u>
Total	-5.1	-4.7	-6.1	-7.6	-9.5	-32.9
President's 1988 Budget as Estimated by CBO	24.9	23.3	19.3	15.2	11.5	
President's 1988 Budget	26.3	21.8	18.2	14.7	13.0	
CBO Reestimates	-1.4	1.5	1.0	0.5	-1.5	0.1

a. Less than \$50 million.

Proposed Policy Changes

The President's budget proposes spending reductions in the agriculture function by reducing direct income support and direct loans to farmers provided through the Commodity Credit Corporation (CCC) and the Farmers Home Administration (FmHA), phasing out the federal subsidy for crop insurance, reducing funding for agricultural research and services, and imposing new

user fees for some marketing and inspection activities. Total savings relative to the CBO baseline would be \$32.9 billion over the 1988-1992 period.

Commodity Credit Corporation. The largest outlay savings from proposed policy changes would occur in the CCC. The 1988 savings result largely from the Administration's decision not to provide advance deficiency payments beginning with the 1988 crops. Such payments, which have been provided in recent years and were required by law for the 1987 crops, are assumed in the CBO baseline for all years. Under the President's proposed policies, advance deficiency payments, if made on the same basis as in 1987, would be \$4.5 billion in 1988.

The President also proposes to reduce deficiency payments over time by lowering target prices 10 percent per year, which is faster than the reductions already mandated under current law. For example, the target price for corn, currently \$3.03 per bushel for the 1987 crop, would decline to \$2.21 for the 1990 crop under the Administration's proposal--compared with \$2.75 for the 1990 crop under current law. Deficiency payments for all crops would decline from \$12 billion for the 1986 crop year to \$5 billion for the 1990 crop year under this proposal.

Other policy proposals include placing stricter limitations on total payments to any individual by reducing the current overall payment limitation from \$250,000 to \$50,000 per program participant and by tightening eligibility requirements for payments in an effort to reduce farm reorganizations prompted by the payment limitation. The President also proposes to remove the requirement that farmers plant program crops to receive deficiency payments. The budget includes a proposal to provide discretionary authority to the Secretary of Agriculture to increase the maximum allowable annual reductions in formula loan rates to 10 percent; under current law, the reduction is limited to 5 percent.

In addition, the President proposes to reduce the level of price supports for sugar while compensating domestic sugar producers for part of their lost revenue. This action would significantly benefit sugar users, but would increase CCC outlays by \$1.7 billion over the 1988-1992 period. A final proposal would reduce the minimum annual levels for short-term export credit loan guarantees from \$5 billion to \$3 billion and would raise origination fees to 5 percent. The proposed changes in price support programs would reduce outlays by an estimated \$24.2 billion over the 1988-1992 period. Under these policies, CCC outlays would total about \$9 billion in 1992, compared with almost \$26 billion in 1986.

Agricultural Credit Insurance Fund. The President also proposes to reduce spending for FmHA loan programs, with total estimated savings of \$3.6 billion over five years. For 1988, the President would maintain direct loans to farmers provided through the Agricultural Credit Insurance Fund (ACIF) at levels similar to those in the CBO baseline, but would eliminate direct loans other than emergency disaster loans beginning in 1989. The Administration instead would provide increased amounts of loan guarantees for private loans.

Federal Crop Insurance. The President again proposes reducing the federal role in providing crop insurance by eliminating subsidies for premiums paid by farmers and for administrative expenses over a five-year period. This action would be accomplished through substantial increases in farmers' premiums, followed by privatization of crop insurance services. Estimated savings would total \$2.4 billion over the 1988-1992 period.

Extension Service. Further savings would be obtained by reducing funding for the Extension Service from \$332 million in 1987 to \$263 million in 1988. All categorical grant programs, the largest of which is the Expanded Food and Nutrition Education Program, would be eliminated. Savings would total \$580 million over the 1988-1992 period.

Other Agriculture Programs. The President's budget would also reduce spending for agricultural research. Although funding for the in-house research program would be increased, this increase would not offset the reduction in funds provided to state research institutions. The 1988 budget request of \$778 million is nearly 14 percent below CBO baseline levels.

Other proposed spending reductions in the President's budget result from new and expanded user fees in marketing and inspection services, including grain inspection, activities focusing on plant and animal diseases and pest control, and services to agricultural cooperatives. In addition, no further funding is being requested for the Temporary Emergency Food Assistance Program.

Neither the President's budget nor the CBO baseline contains any provision for federal assistance to the Farm Credit System (FCS). Many agricultural and financial experts are projecting that such aid will be needed in the near future. Estimates of the government assistance required to prevent failure of the FCS range as high as \$15 billion. Current law requires appropriation action before any such spending could take place.

CBO Reestimates

Most of the CBO outlay reestimate is for the Commodity Credit Corporation. For 1988, the Administration has assumed a \$1.0 billion increase in outlays for working capital, which CBO has not included in its estimate. For 1989, CBO estimates that CCC outlays under the Administration's policies would be \$1.8 billion higher than estimated in the budget. About \$1.1 billion of the 1989 reestimate is caused by differences in the assumed timing of 1987 crop feed grain deficiency payments, while the remainder is caused by different assumptions concerning supply and use. Estimating differences in later years reflect differing estimates of savings from the proposed reductions in target prices.

The CBO outlay estimate for the Agricultural Credit Insurance Fund is below that of the President during the years 1989 through 1991 by an average of \$300 million a year, because CBO projects lower obligations of emergency disaster loans than does the President. Beginning in 1989, the CBO estimate of costs for federal crop insurance exceeds the President's, because CBO projects a higher ratio of losses to premiums during this period.

Credit Programs

As indicated above, the President proposes reductions in export credit loan guarantees and in resulting direct loans made by the CCC. The President also seeks to eliminate direct loans for farm ownership beginning in 1988 and for farm operations beginning in 1989, while steadily increasing the limitations on ACIF loan guarantees over the five-year period.

MAJOR CREDIT PROGRAM CHANGES PROPOSED FOR FUNCTION 350:
AGRICULTURE (By fiscal year, in billions of dollars)

Item	1988	1989	1990	1991	1992	Cumulative Five-Year Changes
Direct Loan Obligations						
CBO Baseline	17.5	16.2	15.1	14.3	13.8	
Proposed Changes						
Commodity Credit Corporation	a/	-0.8	-1.5	-2.1	-2.6	-7.1
Agricultural Credit Insurance Fund	<u>-0.3</u>	<u>-1.1</u>	<u>-1.1</u>	<u>-1.1</u>	<u>-1.3</u>	<u>-4.9</u>
Total	-0.3	-1.9	-2.6	-3.3	-3.9	-12.0
President's 1988 Budget as Estimated by CBO	17.2	14.4	12.5	11.1	9.9	
Guaranteed Loan Commitments						
CBO Baseline	8.5	9.1	9.3	9.4	9.6	
Proposed Changes						
Commodity Credit Corporation	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
Agricultural Credit Insurance Fund	<u>-0.5</u>	<u>0.4</u>	<u>0.3</u>	<u>0.3</u>	<u>0.4</u>	<u>0.9</u>
Total	-2.5	-1.6	-1.7	-1.7	-1.6	-9.1
President's 1988 Budget as Estimated by CBO	6.0	7.5	7.6	7.7	8.0	

a. Less than \$50 million.

FUNCTION 370: COMMERCE AND HOUSING CREDITMAJOR SPENDING CHANGES PROPOSED FOR BUDGET FUNCTION 370:
COMMERCE AND HOUSING CREDIT

(By fiscal year, outlays in billions of dollars)

Item	1988	1989	1990	1991	1992	Cumulative Five-Year Changes
CBO Baseline	8.3	5.8	7.5	5.6	2.7	
Proposed Changes						
FmHA's Rural Housing Insurance Fund	-2.1	-2.6	-3.1	-3.2	-3.6	-14.7
Housing for the elderly or handicapped	-0.5	<u>a/</u>	-0.2	-0.4	-0.5	-1.6
Federal Housing Administration	-0.5	-0.6	-0.6	-0.7	-0.8	-3.2
SBA business loans	-0.7	-0.5	0.1	<u>a/</u>	-0.1	-1.2
Postal Service	-0.1	-0.7	-0.8	-0.9	-1.0	-3.4
Federal Savings and Loan Insurance Corp.	-0.2	0	0	0	0	-0.2
Other	<u>a/</u>	<u>a/</u>	<u>-0.1</u>	<u>-0.1</u>	<u>-0.2</u>	<u>-0.3</u>
Total	-4.0	-4.4	-4.7	-5.3	-6.0	-24.5
President's 1988 Budget as Estimated by CBO	4.3	1.5	2.8	0.3	-3.3	
President's 1988 Budget	2.5	0.7	1.4	0.2	-1.6	
CBO Reestimates	1.8	0.8	1.3	0.1	-1.7	2.4

a. Less than \$50 million.

Proposed Policy Changes

The Administration proposes terminating or reducing a number of programs that currently support commerce or housing activities. Proposed legislation

would also require agencies to increase user fees or sell assets to recover a greater portion of their costs. These changes would reduce spending by about \$4 billion in 1988, and by \$25 billion over the 1988-1992 period.

Rural Housing Programs. More than half of the outlay reductions in this function would involve the Rural Housing Insurance Fund of the Farmers Home Administration (FmHA). The President proposes to eliminate rural housing assistance programs for low-income borrowers for fiscal year 1988 and beyond. Most of this assistance is provided in the form of reduced interest rates for mortgage loans to low-income households or to developers of low-income rental housing. FmHA's current supplemental rental payments program would also be eliminated and replaced with housing vouchers that would pay part of the rental costs of low-income households. This new program would appear in budget function 600 (income security). The funding sought in the budget for vouchers would assist an estimated 20,000 households; by comparison, CBO estimates that baseline funding levels are sufficient to provide in each year about 28,700 homeownership loans and funding for about 21,200 rental units. The Administration also proposes to reduce fiscal year 1987 loan authority to about \$0.5 billion from the appropriated level of over \$2.0 billion. Including this reduction, the President's programmatic proposals would lower outlays by about \$1.1 billion in 1988 and by a total of \$11.5 billion for the years 1988-1992 relative to the CBO baseline.

The President's budget also proposes to sell to the public over the next five years a total of \$5.2 billion in direct loans previously made by FmHA. Both the budget and CBO estimates assume that these financial assets would be sold without any recourse to the federal government. The sale of these loans would reduce federal outlays by \$1.0 billion in 1988 and by an estimated \$3.2 billion over the 1988-1992 period.

Housing for the Elderly or Handicapped. The Department of Housing and Urban Development (HUD) currently makes direct loans to nonprofit sponsors to finance construction of housing for low-income elderly or handicapped residents. For 1987, the Congress has appropriated \$593 million in direct loan authority to finance the construction of about 12,000 units. The President would reduce 1987 funding to \$502 million and would virtually eliminate the program in 1988 and beyond. The Administration's programmatic changes and reductions would reduce federal outlays, relative to the baseline, by about \$60 million in 1988 but by more than \$1.4 billion during the five-year projection period.

The Administration is also assuming that \$500 million in housing loans to the elderly and handicapped will be sold in 1988. CBO estimates that

these loans are expected to bring in close to \$420 million at sale; after deducting loan repayments forgone by HUD, however, the sale would reduce federal outlays by only about \$210 million over the 1988-1992 period. The loans are expected to be sold without any recourse to the federal government.

Federal Housing Administration (FHA). At the time a mortgage loan guaranteed by the FHA is closed, the borrower pays a fee typically amounting to 3.8 percent of the loan amount. The President is proposing to increase this fee to about 5 percent in July 1987, with the actual increase to be determined by a study. Other proposed changes include restricting eligibility to primary residences only and requiring a minimum down payment of 5 percent for borrowers with annual incomes exceeding \$40,000. Savings are estimated to total \$3.2 billion over five years, largely from the increase in fees.

Small Business Administration (SBA). The Administration would end direct loans for small business assistance, but would provide \$20 million for purchases of debentures issued by Minority Enterprise Small Business Investment Companies (MESBICs). (A total of \$140 million has been provided for loan programs in 1987.) The Administration would continue to offer guarantees of privately originated loans, totaling \$3.5 billion annually. However, the budget would increase fees for these loan guarantees and would require fees for technical assistance and other administrative purposes. Beginning in 1988, the President would also transfer to the SBA the activities of the Minority Business Development Agency in the Department of Commerce. The Administration would sell \$1 billion of SBA's general business loans in 1988 and in 1989, as well as the entire portfolio of loans to small business development companies over the two-year period. Outlay savings relative to the baseline would be \$0.7 billion in 1988 and \$0.5 billion in 1989, with cumulative savings of \$1.2 billion over the five-year period.

Postal Service. The President is proposing to increase Postal Service payments to the Civil Service Retirement fund to cover the actuarial costs of pensions for employees remaining in the old Civil Service Retirement System. Payments would increase over a five-year period from the current 7 percent of salary to 17 percent. Another proposal would require the Postal Service to begin paying the cost of premiums for postal annuitants' health benefits beginning in 1988. These two changes would increase the costs of the Postal Service by about \$0.4 billion in 1988 and by \$1.1 billion over the five-year period. (These payments, totaling almost \$4.0 billion through 1992, are intragovernmental transactions and would be reflected as offsetting receipts in other functions.) To recover these costs, the Postal Service would increase postal rates, resulting in net savings to the federal government over time.

The President is again proposing to eliminate the subsidy for revenue forgone, except for the portion of the subsidy that covers free mail for the blind and for overseas absentee voters. This payment compensates the Postal Service for revenues lost as a result of reduced postage rates for certain classes of mailers--primarily religious and other nonprofit organizations, newspapers with a small circulation, and libraries. Rather than burden taxpayers with support for these subsidies, the President would eliminate eligibility for certain mailers and maintain the subsidy for the remaining groups by increasing rates for other classes of mail. These changes would reduce appropriations by \$0.6 billion to \$0.7 billion annually beginning in 1988.

Assuming enactment of these proposals, CBO estimates that the price of first-class postage would increase to 26 cents in the last quarter of 1988, or 1 cent more than assumed in the CBO baseline. Such an increase would generate an additional \$6.7 billion in revenue relative to the baseline in the 1988-1992 period. The combination of proposals affecting the Postal Service would result in increased net savings in this function of \$3.4 billion, and increased receipts in other budget functions of \$4.0 billion, for a net spending reduction of about \$7.4 billion relative to the baseline over the five-year period.

Federal Savings and Loan Insurance Corporation (FSLIC). The Administration is proposing legislation that would establish a government-sponsored financing corporation to borrow from the public and convey funds to the FSLIC. The corporation would finance its borrowing primarily by drawing off assessment income from the FSLIC. The additional funds would be used by the FSLIC to assist failing thrift institutions. CBO expects that the lag between commitments and disbursements of the new funding will result in reduced net outlays of about \$150 million in 1988, relative to the baseline, and that there will be no significant effect on outlays over the remainder of the five-year period.

Other Advancement and Promotion of Commerce. The budget proposes increasing the 1988 program levels for the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission--the former by 30 percent over the 1987 appropriation, and the latter by 10 percent--to strengthen their enforcement and market surveillance activities. The SEC's responsibility for regulating public utility holding companies would be eliminated, however, as proposed in last year's budget. The President also proposes to eliminate the Trade Adjustment Assistance program administered by the International Trade Administration, after rescinding \$11 million of its 1987 funding. The budget also includes a user fee of \$1 per ticket for international travel to and from the United States to fund the